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THE WEATHER

Forecast: Cloudy with slight fall in temperatures.

	Yesterday's Humidity	Yesterday's Min-Max	Today's Max
Jerusalem	20	10-15	14
Golan	27	8-16	15
Nahariya	28	8-20	15
Safed	29	8-24	12
Haifa Port	25	14-20	19
Tiberias	40	10-22	20
Nazareth	21	10-18	15
Afula	31	4-19	15
Shomron	18	10-17	16
Tel Aviv	36	8-21	20
B-G Airport	30	8-23	21
Jericho	28	8-22	21
Gaza	25	8-19	19
Beerseba	46	8-23	22
Eilat	18	8-24	24
Tiran Straits	26	10-25	25

SOCIAL & PERSONAL

The President, Prof. Ephraim Katzir, yesterday received a delegation from the Organization of American States. The delegation was led by Amibail Villela, of Brazil, who is the Organization's Deputy Secretary-General.

Tourism Minister Moshe Kol will today be made a Distinguished Citizen of Daliat el-Carmel in recognition of his "contribution to developing the tourism industry" in the Druze village.

Menahem Begin, MK, will be guest speaker at the weekly meeting of the Tel Aviv-Jaffa Rotary Club at the ZOA House, 1.15 today.

DEPARTURES

Moshe Shitzer, president of the Diamond Exchange, leaves to discuss diamond exports (by El AD).

Bond leaders guests of Navy

Jerusalem Post Reporter
U.S. and Canadian Jewish business and communal leaders, headed by Sam Rothberg, general chairman of Israel Bonds, yesterday visited an air base in the north, where they were welcomed by Air Force Commander Aluf Binyamin Peled. The 250 leaders are here to participate in the Bond conference sponsored by the Prime Minister.

VOTER

(continued from page one)
slightly because of the sudden decision to hold elections, stated Livni, "there will be no appearances by politicians on regular programmes" (Prof. Yigael Yadin's archaeological news falls into this category, as does Dr. Yosef Burg's commentary on the biblical portion on weekly radio).
The faces and the voices of politicians will not be broadcast on TV (radio is exempted from this rule) during the 30 days before election day.
The new policy will be reexamined by the Authority about a month from now, Livni noted, "so we can see how it's working." The director-general adds that he is "not happy" with the Broadcasting Law on elections with which he has to work.
Free TV time is apportioned to the various lists during the 30 days. Every list gets 10 minutes of time, plus four minutes per Knesset Member for each list that is currently represented in the Knesset. Twenty-five minutes of radio time are allocated to each list, plus four per Knesset Member. No extra time will be given for local council races; a list may use up some of its time to boost their local candidates.
Asked if he favours a law that would require each party to pay for its radio and TV time, Livni — who has been advocating the introduction of commercials on TV — said: "We wouldn't object." But he doubted that it could be worked out. Importing the "equal time" system that is used in the U.S. also would not work, he said, because of the proliferation of many parties of different sizes and the recent appearance of new ones.

On the 30th day after the death of our dear

ITZHAK SEGEV זצ"ל

there will be a memorial service on Sunday, January 30, 1977, at 3.00 p.m. at the cemetery in Petah Tikva.

The Family and Petrochemical Industries Ltd. of Israel

In sorrow, we announce the death of our dear mother and grandmother

MIRIAM LIFSCHITZ

Lee and Uri Raz Johny, Doron and Tali, Michmoret Rosenfarb Family

In accordance with her wishes, her body was donated to medical science.

Janssen 'just wanted to look around,' denies spy charges

TEL AVIV.—Lucy Janssen, the young Dutchwoman accused of trying to spy out security arrangements for a terrorist group, yesterday took the stand in the District Court here to present her version of her activities.

In response to questions posed by her counsel, Felicia Langer and Yosef Arnon, Janssen said she had joined the Dutch Cape Dras ("Red Aid") group in order to "help other people and further the struggle against imperialism." She said she and other group members had undergone military training in Aden because the Popular Front for the Liberation of Palestine was the only organization willing to train them in the use of weapons and explosives.

Later, asked by the prosecution why she had learned to use arms and explosives, she said it had been for reasons of "self-defence." She also admitted that "Red Aid," allegedly affiliated to Germany's Red Army Faction, had sabotaged a Dutch installation, which was not identified, and had planned to attack a Nato facility in Holland.

Asked why she had flown to the airport here, the attractive 23-year-old defendant said "just to have a general look around the place." She said she knew nothing of the aims of the Popular Front and claimed to have no special interest in the organization which had undertaken to host, feed and provide training facilities for her and her colleagues.

Janssen denied that the purpose of her visit to Israel was to scout out security arrangements. She just "wanted to go to Jerusalem and Bethlehem and see the ancient places" (ITIM)

Police solve only 12% of thefts, but 79% of murders

By ARTHUR KEMELMAN, Jerusalem Post Reporter

TEL AVIV.—Police have been able to solve only 12 per cent of the robberies, burglaries and thefts, Tel Aviv police district commander, Moshe Tiomkin, told reporters yesterday as he summed up police activities in his area for 1976.

The detection rate of other crimes, however, was much higher, he claimed. For example, 79 per cent of the murders and attempted murders were caught.

The statistics would be very different, according to Tiomkin, if the courts acted faster. At present some 300 individuals wander the streets who have been charged with criminal offences but are free on bail. While awaiting trial they are likely to commit more thefts and break-ins, Tiomkin said.

In 1976 the Tel Aviv district had nine murders, 99 robberies, 6,732 burglaries of business premises, 11,978 break-ins at private apartments, 5,406 car thefts, 20,647 thefts of various kinds, 26 cases of rape, 1,679 cases of assault, 867 cases of pickpocketing and 14,518 other criminal violations.

Tiomkin said that last year, Tel Aviv police seized 278 grams of heroin, 37 grams of cocaine, 3.82 kilograms of opium, 31.1 kg. of hashish and 1.65 kg. of marijuana. According to police estimates, there are about 2,000 addicts and 8,000 regular users who have not yet become addicts.

Juvenile delinquency had not increased, Tiomkin said. On the other hand, 25 per cent of the crimes reported last year were committed by young people.

Police last year issued 23,000 summonses for smoking in cinemas, 100,000 tickets for moving traffic violations and 450,000 for parking offences. A total of 35,000 arrests were made.

Drug pusher shot on Jaffa street

Jerusalem Post Reporter

TEL AVIV.—A 22-year-old drug pusher was found lying in a pool of blood on a Jaffa street an hour after midnight yesterday. He had been shot and is reported as being in serious condition at Donolo Hospital.

Police have arrested five suspects, all known drug pushers, and are looking for a sixth.

The attack took place on Rebov 57 and police believe that the victim, Mohammed Ayash, was shot from a Lark automobile that was found abandoned nearby. A driver who passed the scene about 1.30 a.m. saw Ayash lying in the street and took him to the hospital.

Since October there have been two murders and possibly a third, in what may be an underworld war over territory.

In October Victor Vakla was shot and killed outside a Jaffa cafe. That same month the body of Ezra (Tati) Shabtai was found in a well. He had been shot four times in the back.

His friend, Ya'akov Avraham, who disappeared about the same time, is still missing and police believe he may have been murdered as well. All three men dealt in drugs.



WAITING FOR RABIN. — Coffee cups drained, three Beduin leaders wait to be shown in for a political talk with Premier Yitzhak Rabin in his Jerusalem office yesterday. (Rahamim Yisraeli)

Labour's Central C'tee to pick leader

By JOSHUA BRILLIANT, Post Political Reporter

TEL AVIV.—The 601 members of the Labour Party's Central Committee should choose the party's candidate for the premiership, the committee preparing the convention decided last night.

The Central Committee will be elected by the convention, in February.

All participants in yesterday's meeting, but one, supported this proposal. Hanita Atlas, who had recommended a decision in the convention, abstained.

Last night, 35 leaders of the former Mapai faction in Labour discussed plans to assure Rabin's re-nomination.



SPEAKER'S SPECIALITY — Knesset Speaker serves Foreign Minister Yigal Alon at a Knesset luncheon given yesterday in honour of Hebron Mayor Sheikh Mohammed Ali Ja'abari. (Sunphot)

Employers refuse package but Treasury unconcerned

Jerusalem Post Staff

TEL AVIV.—The Coordinating Bureau of Economic Organizations yesterday formally rejected an anti-inflation package deal which would have entailed the wholesale freezing of prices of manufactured goods, wages, services and dividends on industrial shares.

The bureau accepted, instead, a suggestion that a government committee be set up to reformulate the "deal" more precisely than in the first version.

Finance Minister Yehoshua Rabinowitz and Commerce Minister Haim Bar-Lev presented their outline of a deal to the Bureau executive. A Manufacturers' Association spokesman said the Bureau found the proposals "much too vague."

"What happened was that we were asked to agree to something we knew very little about," the spokesman said. "It was a sign first and read it later proposal. We want to know just what will be frozen and what won't — the loopholes and all — and also to be given a chance to have our say," he added.

No immediate measures are expected to be taken by the Treasury following the employers' reaction. The Jerusalem Post learned yesterday.

Some Treasury officials, in fact, foresaw yesterday's development. They said that it is impossible to reach an agreement in a public meeting between the finance minister and industrialists. For some reason the subject was not dealt with discreetly and it is no surprise that the idea failed.

But yesterday's failure will not basically change the economic forecast, the officials felt. The national budget was not based on a price and wage freeze. A freeze would have had more of a psychological than an economic impact. It would now be more difficult to delay negotiations with the unions — but there are unlikely to be substantial changes in the economic outlook.

Sharon warns of Egyptian build-up

By ALEXANDER ZVIELLI

The public is being brainwashed by the government and the Labour Party about the worsening security situation, Aluf (Res.) Ariel Sharon told members of the Jerusalem Rotary Club yesterday.

Egypt is abandoning the concept of demilitarization of the Sinai peninsula and is feverishly building fortifications and missile sites there, the Shimon leader said. It is keeping three times more troops there than are allowed under the disengagement agreements, he added.

Turning to the northern border, Sharon said that the imaginary "red line" in Lebanon was too close for comfort. "At one time we would have taken action had the Syrians moved even one single gun into Lebanon," he said.

Regarding internal problems, Sharon said that the Jewish Agency should be abolished and replaced by a new instrument for partnership with world Jewry.

IC has recovered 60% of Tzur-scandal losses

Post Economics Reporter

The Israel Corporation has recovered 60 per cent of its losses through the Tzur-Rosenbaum scandal, according to a statement put out by the company yesterday.

The statement recalled that, when the scandal was about to be exposed, Michael Tzur, then the company's managing director, and Tibor Rosenbaum, recipient of IC funds illicitly channelled to him, tried at the last minute to create a "consortium" of creditors.

The creditors would have set up a new company that would assign itself fictitious assets, allegedly sufficient to cover the losses. But the IC would have nothing to do with such a cover-up operation, the statement declared.

Another group — representatives of the IC's German investors, together with shareholder Shaul Eisenberg, had offered to purchase the company's claims against Rosenbaum. It was later discovered that these potential purchasers had got formal control of certain Rosenbaum entities, which would have allowed them to receive monies owed to Rosenbaum by a number of IC subsidiaries.

In other words, the IC says, they had planned to purchase the company's claims with money that belonged in fact to the company. But the IC board also rejected this manoeuvre.

The IC admits however that it was deceived by Tzur's machinations at the time, as were other defrauded companies; as were the respective auditors in each case; and as was the State Comptroller himself.

The memorandum stresses that the State Comptroller's representative on the IC premises had failed to expose the fraud.

But the Comptroller's office had in fact cautioned the IC against depositing excessive sums with the unnamed "institution," which turned out to be Rosenbaum's trust in Vaduz. The IC however emphasizes that these warnings were given not to the board but to Tzur himself.

Since then the board has adopted a programme of reorganization, the statement says, with new auditors, an audit committee, an internal controller, and a new system of control over bank accounts.

Syrians not close

(continued from page one)

probability Syrian claims that soldiers were sent in to collect arms from this terrorist strong were correct. They could not for at this stage the Syrian move pose direct or indirect threat to security of Israel.

Observers, however, noted Israel had stated repeatedly and emphatically that no Syrian presence would be tolerated in Nabatieh, which borders on Litalan river, or across the "line." They felt that unless Israel embarked on some decisive action the country's lack of action could be interpreted as a sign of weakness and would undermine the credibility of the Chief of Staff the Defence Minister.

Meanwhile, it was reported yesterday that rumours of Syrians having moved into the village of Khil south of the Litalan, were unfounded.

"As far as we know," one said last night, "there is not a Syrian soldier south of the Litalan Khilam is some eight km. from Israeli border and visible to the eye."

Asher Wolfish adds: No alarm bells have rung yet Jerusalem as a result of the report that Syrian contingents have moved to Nabatieh.

"Nobody sees any cause for concern here," but of our Washington Ambassador Sim Dimiz was asked to get American assistance in checking the report about the Syrian troop movements as soon as they first came in.

"The troop movements could be serious matter but it will take time to find out just what is happening as the spate of exaggerated stories the Arab media," The Post was told.

No need was seen last night for extraordinary Cabinet session to discuss the implications of the development around Nabatieh.

MKs to discuss report on IC

The acting chairman of the Knesset's State Control Committee, Yitzhak Mordechai, is to call a special committee meeting to discuss the report on IC, he told The Jerusalem Post last night.

Mordechai said the report of board revelations in the report of jalled IC managing director Michael Tzur have far-reaching consequences both for the IC and for the way financial decisions at large are taken. He added that State Comptroller Yitzhak Nebenzhal will be asked to attend the meeting.

Comptroller on Israel Corporation

(continued from page one)

vest in the IC on the following conditions:

- That the IC take a sizeable loan from the Germans. (The German Government stipulated that there should be a 2:1 ratio between loan and equity.)
- That commissions be paid to the Foreign Trade Bank and to a third party, which had been left in the lurch by the switch of funds to the IC. The use of these commissions for private ends was the main charge against Tzur.
- Tzur illegally obtained some of these commissions, and with other IC resources invested them in Swiss companies connected with Swiss financier Dr. Tibor Rosenbaum. When Rosenbaum's Swiss International Credit Bank failed in 1974, IC and its subsidiaries lost large amounts of money.
- After Tzur was charged with his own particular offence and found guilty, it was still felt important to investigate the role of the IC board of directors, and to find out to what extent they had known and had control over Tzur. Here is what the Comptroller found:
- The acting chairman of the board's executive committee, Mordechai Limon, used to sign checks transferring money to various Rosenbaum companies without knowing what he was doing and to whom the money was sent. The Comptroller says that Limon should have been much more cautious.
- The executive committee decided to appoint a comptroller for the IC but never took any action on this.
- Although at one time Limon was unhappy about the transactions with Rosenbaum, and although he discussed this more than once with Tzur, he did not take action on this, nor even ever raise the subject at the board's meetings.
- Then-IC board member Ernest Japhet, at the time director-general of Bank Leumi, had been most unhappy about Tzur's activities. Back in 1971 he had told the board that he saw no use in his participation in the board "which cannot act properly if it cannot supervise." Japhet had talked about this with the chairman of the board, Baron Edmund de Rothschild, but with no noticeable success.
- On this topic the Comptroller concludes: "Japhet's resignation from the board in September 1973 could have served as a warning sign as to the way the company worked." But he does not totally clear Japhet, because "Bank Leumi appointed Japhet's deputy to his post on the IC board, thus minimizing the significance of his resignation."
- The Comptroller is more critical of the directors in another aspect: the double roles some of them played which caused conflict of interests. He adds that Tzur used these contradictions for his personal ends. Here are some of them:
 - David Golan and the Foreign Trade Bank had an interest in the deal with the German Group: His bank got one per cent (\$100,000) in commissions.
 - Board chairman Rothschild, through his Swiss company Promotex, hired Tzur for an \$125,000 fee to advise him on a deal he was making separately with the German group. The Comptroller states that "such deals should have been brought to the attention of the board and been approved by it unanimously." This of course was not done. (Rothschild explained that he intended to do so before any action on the deal took place.)
 - Bank Leumi and probably Bank Hapoalim were involved in financing the loan which the German group insisted that IC take. At first, the Germans got a loan from Rosenbaum; they then reloaned it to IC, which deposited the money in turn back with Rosenbaum's bank.

But in 1971 this so called "circular deal" was changed. Instead of Rosenbaum giving the loan to the German group, this was done through three foreign companies: Luxinvest, controlled by Bank Leumi, which lent \$2m.; Ocelot of Vaduz — which is thought to be controlled by a Bank Hapoalim subsidiary in London — lent \$20.5m.; and Comtrafin, ownership unknown, supplied \$5.5m.

To stress how important the conflicts of interests were in the day-to-day work of IC, the Comptroller quotes Mordechai Limon: "On a few occasions Baron Rothschild inquired where the money was. Tzur responded that the board of directors and the executive committee included representatives of all the major banks: Bank Leumi, Bank Hapoalim and Bank Discount. It is inconceivable that the banks learn details about one another because they compete and each wants to draw money to itself." Tzur had said.

The main cause of the faults at IC, the Comptroller concludes, lay in the criminal deeds Tzur carried out in collaboration with Rosenbaum. However, some lessons could be learned. They are:

- That ultimate personal trust in a senior employee cannot replace proper supervision facilities.
- That the board of directors should be constructed in such a way that every action it takes be at all times under supervision of a sufficient number of directors who have no interest in the action other than the company's well-being.
- That it is desirable that directors having other interests inform other directors of these, and also refrain from participating in decisions concerning these particular interests.

tonight

total prize fund
114,800,000
first prize
11,750,000

mifal hapais

Ja'abari

(Continued from page one)

at a luncheon in the Knesset Speaker Yisrael Yeshayahu. Ja'abari, reacting to a remark Yeshayahu said that while true that the Arab states have been and still were negligent regarding the welfare of the refugees, that could not be King Hussein whose Jordanian nation went hand-in-hand with Palestine nation and who read the grave nature of the refugee problem personally.

Ja'abari, who spoke in firm tones, told Yeshayahu: "I do not agree the Palestinian refugee camps established for propaganda purposes. If I had a home, which brother seized and took from me could never reconcile myself to loss. However, all those who are ready to live in peace security with their neighbors should be offered a choice between returning to their homes or full compensation."

Yeshayahu said in his speech welcome that although Israel successfully absorbed nearly million penniless Jewish refugees from Arab lands, the Arab had "committed a grave crime for 30 years by compelling the refugees to live in squalid camps merely to show European to Israel's alleged sins."

Yeshayahu said the acclaim to Ja'abari on both sides of the dan was proof of his great influence and of the yearning of the masses to shed the nightmare their wars against the Jews.

One matter which came up at the luncheon quite by coincidence the course of private conversation was the problem of financing Moslem Higher College in Hebron which Ja'abari had established. "The chequing account at I Leumi had the Hebron Mayor as its signatories, and this at the before the West Bank municipal elections when Ja'abari himself Mayor. Now, however, the Mayor Fahd Kawasmi refused to sign cheques made out to Moslem College, which is there in financial straits."

After Ministers Yigal Alon, Shlomo Hillel, also guests at luncheon, finally grasped Ja'abari was complaining of, he promised he would look into problem forthwith and see Moslem College get funds.

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The Hebrew University of Jerusalem announces
A MEMORIAL MEETING
for
LOUIS H. BOYAR
Deputy Chairman of the Board of Governors

Programme:
Mr. Samuel Rothberg, Chairman
Mrs. Golda Meir
Justice Haim Cohn
Mr. Bernard Chetrick
Mr. Eliezer Shmueli

A musical and literary tribute by pupils of the Mae Boyar High School to be held on Monday, January 31, 1977 at 6.00 p.m. in the Wise Auditorium, Givat Ram Campus.

Mayor Walker's ouster set for Sunday; elections refused

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When you take out a "K'FULA" policy, you know two things: Migdal-Binyan will pay you a substantial sum when you reach age 65—money which may make your lifetime dream come true in your retirement years. And you'll stay insured for the rest of your life, without paying one extra agora.

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Think about it. You owe it to yourself. And your family.

 **Migdal-Binyan's latest plan**

[illegible]

Bell sworn in as A-G; FBI chief to go

WASHINGTON. — Griffin B. Bell, President Jimmy Carter's most controversial cabinet appointee — was sworn in yesterday as U.S. Attorney General, after being confirmed on Wednesday by a 75-21 Senate vote.

Chief Justice Warren E. Burger administered the oath to the 58-year-old Atlanta lawyer as President Carter told a crowd of about 700 dignitaries and Department employees, "this is a great day in the life of our nation."

Five liberal Democrats had joined 16 Republicans in voting against Bell, who came under fire for his record on civil rights, his political ties to Carter and his membership in private clubs that exclude blacks.

Bell was also accused of forcing Clarence Kelley, director of the Federal Bureau of Investigation (FBI), out of office.

The FBI announced on Tuesday that Kelley would retire next January 1 — more than six years before his 10-year term of office is due to expire.

Republican Robert Dole accused Bell of forcing Kelley out. But fellow Republican John Danforth of Missouri said Kelley was retiring voluntarily, and a Justice Department spokesman said Kelley's letter announcing his resignation was written on his own initiative.

Dole, losing Republican Vice-

President candidate in last November's elections, said that Bell's statement that he would sack Kelley had been made without advance consultation with the FBI director.

"This shows a lack of sensitivity," Dole said.

Kelley became the first permanent head of the FBI since J. Edgar Hoover died in May 1972.

His decision to resign follows a controversy last year over work done in his apartment by FBI staff.

The confirmation debate was also marked by an angry clash between black Republican Edward Brooke and white Democrat Birch Bayh, who led the Bell supporters.

Senator Brooke accused the Judiciary Committee of not being thorough in examining Bell's record. Senator Bayh then accused Brooke of being a demagogue. But he withdrew the remark after the Massachusetts Republican demanded an apology.

Meanwhile, Carter on Tuesday reserved a \$46,800 a year ambassadorial job for Elliot Richardson, who was Secretary of Commerce in the Ford administration. Carter announced that he is nominating Richardson to serve as Ambassador-at-Large and as his special representative for the Law of the Sea conference. (Reuters, AP)

Mondale: U.S. will defend West Berlin

WEST BERLIN. — U.S. Vice-President Walter Mondale said yesterday that the U.S. is prepared to use whatever means may be necessary to preserve the freedom of West Berlin.

During a two-hour visit here, Mondale linked the future of West Berlin with East-West détente and said any attempts to alter Berlin's special status would place a heavy burden on progress towards relaxing international tensions.

Speaking at a ceremony in West Berlin's town hall, before flying on to Rome, he said: "We will leave no doubt that the U.S. stands by its commitment to use whatever means may be necessary to resist any attempt to undermine the freedom of this city."

He warned East Germany and the Soviet Union that if they tampered with the four-power arrangements covering both sectors of the city laid down in war-time agreements and confirmed in 1971, the result would be to "vastly complicate" the process of détente.

The East Germans have recently stated that the four-power arrangements now apply only to West Berlin.

The Vice-President was "visibly pale" after mounting the "Kennedy observation post" on the Berlin wall, which gave him a view of the Communist sector of the city.

Talks originally planned with West Berlin Mayor Klaus Schütz were cancelled, and instead the two men held short discussions in the car taking them from the wall to the City Hall in Schoenberg.

West German Foreign Minister Hans-Dietrich Genscher travelled in the same car as the Vice-President. Genscher's presence in West Berlin was expected to draw a sharp protest from the East Berlin government that Bonn was exceeding its rights in the city. (Reuters, AP)

Frugality vindicated

HONG KONG. — An annoyed Scottish businessman may have just entered the Guinness Book of Records by travelling about 17,500 kms. to answer a summons for a parking ticket — only to find he had nothing to do with the vehicle in question.

Derek Shaws of Edinburgh pleaded innocent in November for having illegally parked the offending truck — which "he did not own or drive" — last April in Hong Kong's Kai Tak airport, a government spokesman said on Tuesday.

He was discharged by the court after an official spokesman called the situation a "bit of a mixup."

However, non-motorist Shaws, who left the Colony last February, is suing the Hong Kong government for 9,000 Hong Kong dollars (\$1,800) for the mix-up.

Asked for confirmation on the matter, the Hong Kong government's legal department said yesterday that Shaws "has made a claim through his solicitor for compensation. We have no comment to make."

Meanwhile, Shaws travelled another 17,500 kms. home. (AP)

Pompeii Paintings Gone

POMPEII. — Twelve priceless wall paintings have been stolen from the ruins of Pompeii, police reported yesterday. Art experts said it was one of the most serious of the many thefts from the excavation of the city that an eruption of Mount Vesuvius buried 19 centuries ago. (AP)



SEVEN-YEAR STOMP. — Uganda President Idi Amin dances during celebrations in Kampala this week marking the start of his seventh year as president. (UPI telephoto)

Violence forces Suarez to cancel Mideast trip

MADRID. (AP) — Police reinforcements were ordered into Madrid yesterday to try to stem increasing political violence, as Premier Adolfo Suarez called off a trip to the Middle East because of the growing unrest across Spain.

A Foreign Ministry announcement said Foreign Minister Marcelino Oreja would substitute for the Premier on the official visit to Egypt, Syria and Iraq.

Senor Suarez precluded over a cabinet meeting yesterday to discuss the wave of violence in which seven people have been killed and which many fear could be aimed at triggering a military coup.

Police meanwhile swarmed over the capital's streets in jeans and buses amid fears of disorders at a funeral for five left-wing lawyers slain by right-wing extremists.

Thousands of workers in factories and offices throughout the country struck in protest against the killings. Madrid's industrial area was reported to be shut down, and newspaper reports estimated 80,000 workers on strike in Bilbao.

No room in paradise

HONOLULU. — Declaring that Hawaii is being spoiled by too many people, Governor George Ariyoshi on Tuesday urged passage of a constitutional amendment to stem the tide of new residents.

"The programme I propose will put this state in direct confrontation with the present laws of this land and possibly even the Constitution of the U.S., Ariyoshi admitted in his State of the State message.

"Hawaii is a national treasure, but it is a very fragile one which can be easily destroyed by overpopulation and excessive demands on its resources," he told the legislature.

The Democratic Governor, himself the son of immigrants from Japan, blamed rapid population growth for the State's problems of high unemployment, disappearing open space and rising crime.

Smith to draft over-38s; black conscription coming

SALISBURY. — Sweeping measures to boost Rhodesia's armed forces in the face of an intensifying guerrilla war are expected to be announced this week.

The government plans to cast the military draft net further to bring in white, Asians and coloureds (mixed race) over 38 into the security forces, sources said yesterday.

The new measures are seen as one attempt to meet the threat of increased offensives by black nationalist guerrillas operating from bases in neighbouring Mozambique, Botswana and Zambia.

Few men over 38 are fighting in the four-year-old war, launched by the armies of the Zimbabwe African Peoples' Union and the Zimbabwe African National Union to end the white-minority government of Ian Smith.

There are volunteers over that age in the army, air force, police or the paramilitary civil militia. But last November Defence Minister Reg

Cowper urged others over 38 to volunteer for service. Nearly all able-bodied non-blacks under 38 have to serve continuously or three or four times a year in the security forces as a result of the conflict, which now covers two-thirds of the territory.

But while more than half the men in the forces are volunteers, Rhodesia's army are not yet liable to the draft to extend compulsory military service to blacks as to go to the legislature early this year.

The defence minister's measures follow Prime Minister Smith's rejection of UN peace proposals by Ian Smith's war and set the country on a black rule by next year.

At the time, the Rhodesian government warned that the breakdown of the latest effort would lead to a line against an anti-guerrilla action in the guerrilla war.

UK, Paris go to law over Channel

GENEVA. — Britain and France went before an international court yesterday to try to settle their long-standing dispute over seabed rights in the possibly oil-rich English Channel.

The hearings, under the chairmanship of a Finnish professor of international law, are expected to last at least five weeks, with the court's deliberations taking several weeks after that.

The two governments in 1988 had little difficulty in drawing a boundary down the middle of the wide Dover Straits. With possible rich mineral deposits at stake, however, they have remained in deadlock over drawing a boundary westward from the Isle of Wight and the Cherbourg

Peninsula and out into the Atlantic because of the Channel Tunnel which are just off the French coast.

According to Britain, the boundary should be drawn halfway between the islands and the French coast. France rejects this, arguing it would have only four kilometers of offshore rights — around Cherbourg Peninsula.

A possible solution to the dead might be to allow France to drill around the Channel Islands. Oil companies in both countries say they believe there are oil deposits under the Channel; but one knows where they are, as drilling has been done since thepute erupted.

Tanaka bribe-trial opens today

TOKYO. — The bribery trial of former Japanese Prime Minister Kakuei Tanaka opens today, the first court proceedings in the Lockheed Aircraft payoff scandal.

Tanaka, 58, is charged with having received 500 million yen (about \$3.5m.) in bribes from the Lockheed Aircraft Corporation through its Japanese agent, the Marubeni Trading Company, to promote sales of Lockheed Aircraft in Japan. He is also charged with

violations of foreign currency regulations.

Tanaka has denied all charges. Going on trial with Tanaka are former secretary Toshio Enomoto, and three former executives of Marubeni.

Tanaka, once known as the "paterfamilias" for his dispassionate manner, served as Prime Minister from 1972 to 1974. He was arrested on July 27, 1976, jailed then released on bail August 17.

Sweeping reshuffle in Rumania

BELGRADE. — Rumania has carried out what Western diplomatic sources in Bucharest described yesterday as the most sweeping changes on the senior levels of the Communist Party and the government since the Communists took power nearly 30 years ago.

The changes, which included nearly doubling the membership of the five-man permanent bureau of the Party's highest executive organ, its political executive committee, "came as quite a surprise to

everybody", because moves of a large-scale implications are unrumoured in advance, the sources said.

Four ministers were among those removed from office. They were Nicolae Manescu, Bujor Almasan, Emil Niculescu, and Petre Lupu, them Lupu, formerly Lab Minister, was the only one to be given another post. He became chairman of the party's collegium. (UPI)

Kremlin shakeup soon

Brezhnev seen seeking younger crew

By LAFOS LEDERER, OENS correspondent

LONDON. — Changes in the ageing Soviet leadership, mainly in preparation for the opening of talks on arms control and détente with the new Carter Administration in Washington, are expected in high level Communist circles in Eastern Europe.

According to Yugoslav sources, the changes will be carried out by Soviet Party leader Leonid Brezhnev, who in the past year has emerged as a dominant force, controlling affairs in the Kremlin as no one man has since the forced retirement of Nikita Khrushchev in 1964.

There is no suggestion that Brezhnev himself will quit the political scene immediately. His health, which had in recent years seemed failing, has apparently improved. All the same, East European observers do not expect him to remain an active leader for a long enough period to carry out accommodation with President Carter.

It appears, though, that Brezhnev needs to pave the way for the forthcoming talks with the U.S. by replacing his ageing colleagues in the Kremlin with younger men, who will be responsible for carrying out any agreements reached with Washington.

The crucial issue of the succession has preoccupied Brezhnev and his comrades in the leadership since long before the 25th Party Congress in Moscow last February. The Congress produced only a few personnel changes, apparently due to a

serious split in the Presidium between the Army and the police bureaucracy on détente.

The first hint that Brezhnev seriously contemplating action on the succession came from the Soviet leader himself during the Euro-Communist summit in East Berlin last June.

He told a number of Communist leaders that although in the Sixties Union 70 is only a "medium age" (Brezhnev was 70 last December) he is determined to rejuvenate the Politburo in time for an orderly transfer of power. The communist victory brings to mind such a man as President Nikolai Podgorniy, Premier Alexei Kosygin, and ideologist Mikhail Suslov, Secretary Andrei Kirilenko, and vid Pelsche, all men older than Brezhnev.

The question has become pressing since then following sudden illness of Premier Kosygin, who in late summer suffered stroke while swimming.

Kosygin's prolonged absence from the public view and particularly failure to present the five-year anniversary of the October Revolution at the October plenum of the Supreme Soviet indicate that his illness is serious.

The fact that Brezhnev has decided to reshuffle his faceless cabinet leadership indicates that he is strong enough now to get his men into the Politburo to assure his policies will be maintained when he departs himself.

Cairo: Communists formed 4 groups to topple gov't.

CAIRO. — An investigation of 200 suspected Communists arrested during last week's disorders showed they had formed four secret organizations to overthrow the government, the semi-official newspaper "Al-Ahram" reported yesterday.

The paper quoted Egypt's prosecutor-general as saying the cases of the 200 suspected communists were being investigated separately from those of 1,000 other persons arrested in the riots. The disorders were sparked by an announcement of higher food prices, which were later rescinded.

The prosecutor indicated there were Egyptian military men among the suspects. He said they would be charged with forming a secret organization to overthrow the political, economic and social system by violent means.

In Kuwait, however, the

newspaper "Al Rai" took issue with the Egyptian explanation of the riots. It said in an editorial yesterday that it thought the riots were the result of mismanagement and corruption, rather than lack of Arab economic assistance.

"Our brothers in Egypt know well that the (Arab) oil countries have done their best to help Egypt overcome its economic problems... but the oil countries are not responsible for the had administration, payoffs and other scandals plaguing Egyptian society," the paper said.

The editorial also took issue with Egyptian claims that the Communists were behind the disturbances.

"Is it the intention of the Egyptian mass media to frighten the oil countries, or is it a conspiracy to stir up a war between the Arab rich and poor," the newspaper asked. (AP UPI)

China leader: Appeasing U.S. to gain time

HONG KONG. — The main thrust of Peking's "America Policy" is to block Soviet-American détente and buy time for China, according to remarks attributed to a high official of the Chinese Communist Party.

To accomplish this, the official said, China must "positively improve" relations with the U.S. China's policy towards the U.S. was outlined in a speech supposedly made last August by Peng Piao, a veteran diplomat and director of the party's international liaison office. He also is a full member of the Party Central Committee.

A copy of Peng's speech, made before graduates of China's foreign affairs academy, was obtained by Nationalist Chinese intelligence agents and made available by Nationalist officials.

Diplomatic analysts specializing in Chinese affairs said the speech appeared to be authentic. They said remarks attributed to Peng were consistent with policy statements issued recently by Peking and with remarks made by Chinese leaders during the past few weeks to foreign visitors.

Among other things, Peng said that to make the U.S. more aware of

the dangers of détente, China would be inviting "more influential Americans to tell them repeatedly our views toward the situation and make clear that détente with the Soviet Union is impracticable."

King told the budding diplomats that the Taiwan issue was the main obstacle to normalization of Sino-American relations, but still of secondary importance.

"What concerns us at present is not entirely the question of Taiwan," King was quoted as saying. "We have waited for nearly 20 years and we can still wait."

"Under the current world situation, first of all, we have to deal with our number one enemy, Soviet revisionist social imperialism. All others are secondary questions. The situation will force the U.S. to make careful consideration and change its decision."

"In accordance with the development of the situation," he said, "We must positively improve Sino-U.S. relations in some aspects."

This is basically the same message that has come through in foreign policy statements from Peking earlier this month, obviously intended for the new administration of President Jimmy Carter. (UPI)



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Electric Corp. to sign 5b. N-plant pacts

By YAA'COV FRIEDLER, Jerusalem Post Reporter

The Electric Corporation is to sign soon contracts for the use of two 500-megawatt power stations in the U.S., at a price of \$2.5b.

The first plant, in Niznissim, in the south, is to be completed by 1982. The second is to follow 18 months later.

The corporation is keeping open the possibility of cancelling the order for the second plant, if Israel's power does not warrant it, or if financing is not available. The plant project director, Shimon Gold, told members of the corporation's board of directors yesterday. He said that the plant would have a capacity of 500 megawatts, and would be a part of the second, 500-MW plant, to be ordered as a replacement for the first plant, which is now being built in Niznissim.

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Two charged in building fraud

for Aharon Machluf, are accused of falsifying the building data of a building project on Moshav Karmel.

The police fraud squad investigator told the court that a building inspector had already been charged and released on bail in connection with the episode.

Active mart pulls back

YORK — The stock market back yesterday, weighed by weakness in some of the Dow Jones industrial stocks, pulled back from its peak of 2,244.40.

194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300
194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300

standing on Nissim office affair

High Court of Justice dismissed a petition for a writ of habeas corpus filed by a petitioner who was standing on the premises of the Nissim office.

The petitioner, who is an advocate, filed a petition for a writ of habeas corpus, claiming that he was standing on the premises of the Nissim office, which was a private property, without the permission of the owner.

The High Court of Justice, in its decision, stated that the petitioner's standing on the premises of the Nissim office was a violation of the law, and that the writ of habeas corpus should be granted.

The petitioner's lawyer, who represented him in the High Court, stated that his client was standing on the premises of the Nissim office because he was looking for a job.

The High Court of Justice, in its final decision, granted the writ of habeas corpus to the petitioner, and ordered him to be released from the premises of the Nissim office.



Sir Marcus Sfeet, right, visits the Lingerie Frise production worker; Avner Kotzer, the Frise production manager; Allon Paldi, head of the Marks & Spencer buying office in Tel Aviv; and Frise managing director Aryeh Bar Zion.

Kuwait oil production falls by third

KUWAIT — Kuwait's oil production dropped 33 per cent in January to an average 1.2m. barrels a day. Oil Minister Abdul Muttalib al-Kazemi disclosed yesterday.

The minister said on some days production in January dipped as low as 800,000 barrels a day, from an average of 1.8 million barrels a day in 1976.

Florida freeze losses top \$250m.

GAINESVILLE, Florida. — From Florida oranges to Florida tomatoes, a 10-day shipment and sales embargo on fresh oranges and grapefruits went into effect on Monday to prevent spoiled fruit from going to market and to give the industry time to test the fruit for damage. Oranges that are frozen too badly to be shipped can be used for juice.

Freight charge agreement reached

Jerusalem Post Reporter

HAIFA — The Shippers Council on Monday reached agreement with the North-West Europe, CONISCON shipping conference, on the rate of freight charge increases on conference lines. This completed the round of negotiations on higher charges for the first six months of the year with the various shipping conferences serving Israel.

The freeze will have an impact on consumer prices throughout the country, the board said. Industry sources said prices of a 6-ounce can of frozen orange juice concentrate would rise from an average of 22 cents to 31 cents.

FOREIGN CURRENCY	Official Exchange Rates
U.S. \$	8.0164
Sterling	15.4374
DM	3.6950
French Fr.	1.7998
Dutch Fl.	3.5217
Swiss Fr.	3.5540
Canadian \$	8.8586
Australian \$	9.7581
Rand	10.3268

INTERBANK LONDON	SPOT RATES:
Dollar	1.7194/96 per \$
DM	2.4290/92 per \$
Swiss Fr.	2.3250/50 per \$
Live	881.80/10 per \$
Belgian Fr.	37.17/20 per \$
Dutch Fl.	2.5415/30 per \$
Yen	267.95/10 per \$
French Fr.	4.9790/10 per \$
Danish Kr.	5.9595/10 per \$
Swedish Kr.	4.2785/00 per \$
Norwegian Kr.	5.3500/15 per \$
Gold price:	\$133.25—134.00

FORWARD RATES:	1 Mon. 5 Mos. 6 Mos.
U.S. \$	1.7054/04 1.6874/84 1.7889/99
DM/\$	2.4290/92 2.4250/70 2.4190/215
Sw. Fr./\$	2.5175/95 2.5015/05 2.4770/785

Bank Hapoalim	Bank Hapoalim
EITAN	281.33 274.48
ALMOG	142.71 139.23
ADIF	152.96 149.23
TZABAR	615.18 596.7
ERIZ	245.5 232.0

Bank of Israel report shows rise in reserves of foreign currency

By DAVID KRIVINE, Jerusalem Post Economic Reporter

The foreign currency reserves held by the Bank of Israel rose during 1976 by \$117m. to \$1,158m., according to Bank of Israel director-general Dr. Eliezer Sheffer. He was presenting to the newspapers his bank's balance-sheet for the year just ended.

Foreign currency assets held by the bank rose by \$26m., due partly to the improved trade balance, partly to a notable decline in speculative buying of foreign currency by the public.

As long as interest rates were low (compared with the rate of price inflation), it was worthwhile gambling on devaluations, Sheffer explained — by paying foreign debts ahead of time, importing bigger stocks of goods than are needed, delaying the repatriation of earnings, etc.

... a combination of mini-devaluations and higher interest rates has put an end to this process. Net purchases of foreign currency by the public were around \$100m. a month in the second half of 1976, \$50m. in the first eight months of 1977, \$18m. in the last four months of that year. — "And during the first three weeks of January this year, net sales have been nil," he concluded.

The amount of new money pumped into circulation during 1976 came to IL6b., of which IL3.3b. represents Government borrowings from the bank and the rest conversion of dollars received by the Government into local currency. It was therefore necessary to keep credit tight. One method was, as said before, to up interest rates. Even directed (subsidized) credit is dearer, with local-currency export loans up from 8 to 12 per cent, dollar export loans still six per cent, and working capital loans increased to 22 per cent.

Banks have to pay a bigger fine for running a liquidity deficit (that is, depositing "in the central bank a smaller proportion of their funds than is required by law), which reduced that shortfall from IL2.5b. to IL200m.

Dr. Sheffer said that the central bank did advance them an extra IL400m. to help diminish their liquidity deficit — but on the express condition that they place a ceiling on their "free" (non-directed) credit.

As a result of these and other measures, the means of payment went up by only 24 per cent, and credit by the same proportion, in a year when prices rose by 39 per cent.

The Bank of Israel earned \$95m. in interest on its foreign currency assets, as against \$17m. in 1975, the decline being due mainly to a fall in interest rates on the world's money markets.

Looking to the future, Sheffer warned that trends are emerging in the monetary field which give cause for concern. The means of payment are growing too rapidly, he said. Relatively small events in budgeting or the balance of payments can have a major impact on the monetary scene.

Thus, "the proposed IM b. excess in outlay over revenue comes to less than 5 per cent of the Treasury's estimates for 1977-78, but it comes to over 40 per cent of the volume of money in circulation in the country."

"Similarly, an improvement of, say \$500m. in Israel's trade balance can mean an addition of close to IL5,000m. in local currency." Unless such boosts are offset by counter-inflationary measures, the impact could be severe, he said.

Israel gets right to catch more fish in South Atlantic

By YAA'COV FRIEDLER, Jerusalem Post Reporter

HAIFA — Israel's fishing quota in the south-east Atlantic has been raised by 50 per cent to 7,500 tons annually, a fisheries official said here yesterday.

Archie Markman, general manager of Atlantic Fisheries Company, which fishes in the area off South Africa, said his firm is buying a \$3m. factory trawler ship for the catch.

The quota was raised by a vote of the 13 member nations of the UN's International Convention for the South Atlantic Fisheries, which met in Malaga Spain last month.

At a press conference here, Markman noted that the convention reduced the quotas of the other 12 nations, including the Soviet Union and Cuba, in order to prevent over-fishing. Israel's case was accepted because unlike all the other nations, which export much of their catch, Israel uses all its fish for domestic markets.

Atlantic operates two trawlers in the area, the Agard and Yamot, which land 5,000 tons of frozen Bakaia (cod) to Israel for marketing. Another, small quantity of non-Kasher fish brought up in the nets, is sold abroad.

The trawlers are manned by 14 Israeli officers and 56 South African and Portuguese sailors and fishermen "because we can get no Israeli ratings for the work," Markman said.

He said that the Government had promised to back the financing of the third trawler, which is to be bought second hand. Many of the world's fishing trawlers are laid up, due to restrictions of fishing quotas.

Markman expected no difficulties in marketing the extra 2,500 to 3,000 tons of Bakaia. They would replace imported filets, he said.

The 11-year-old Atlantic company is owned by Milla Brenner and Ya'acov Meridor, the major shareholders in Maritime Fruit Carriers.

Markman said that following years of losses, due to inexperience, the Atlantic had earned IL6m. last year, on a turnover of IL80 mm. and for the first time had paid income tax to the treasury. All accumulated deficits had also been covered, he added.

A.P. adds from Washington: The U.S. State Department is near completion of agreements that will bring 20 per cent of the world's fish under U.S. jurisdiction. The accords, which restrict the rights of nations to fish within 200 miles of the U.S. coast, have been signed already with eight countries, including the Soviet Union. Talks, currently, are under way with Japan and the Nato countries.

At issue is a U.S. law, which goes into effect March 1, extending American jurisdiction over fishing rights 200 miles from the shore. In fact, the various agreements do not control fishing itself. Rather they acknowledge the American action. The actual restrictions will be levied unilaterally by the U.S. later this year.

YOUNG PEOPLE seeking a job now have the right to counselling and follow-up, according to a change in the Labour Exchange Law. They used to sign up and be placed. Now they will have access to some 20 professional counsellors spread throughout the country's 70 labour exchange offices for youth. About 30,000 young people apply each year.

THIRTY AIR RAID shelters, being built at a cost of IL2m., will be completed in a few months in Ramat Hasharon. The shelters, along with the 40 already built, will provide protection for approximately 80 per cent of the town's population.

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A lesson in business

THE STATE Comptroller's report on the Israel Corporation, which is entirely devoted to the Taur-Rosenbaum scandal, does not reveal any facts that were not known when the story broke two years ago. Its most important contribution is the policy conclusions it draws.

One of them, which emerges starkly from the analysis, is the absurdities that arise from over-administration. The so-called Investment Corporation Law had made a number of privileged tax benefits conditional on the mobilization of at least \$30m. of capital within three years.

As the deadline approached (and it was then difficult to reach the target figure, owing to the onset of a business recession in the U.S.) efforts were increasingly focused on searching feverishly for the missing dollars, regardless of the fact that the Israel Corporation did not at the time have sufficient new projects on tap to spend all this sudden infusion of money on.

The nightmare of rules and regulations seems to exist in Germany as well. The German tax-benefit law states, for reasons which are not clear to this day, that if a group of investors wants to invest \$18m. in a developing country, as this particular group did, it must also lend twice that sum. So the investors had to find \$36m. somewhere, to lend a company that did not specially want to borrow so much at that moment.

The big placement in view for the IC was, as it happens, to buy half of Zim; but — and here comes the rules book again — special permission had to be obtained for spending German money on new ships, and the German Minister responsible would not give his agreement.

The complexity of the terms and conditions under which governments subsidize capital investment can make that investment a more complicated activity even than it ought to be. This aggravates another problem — the tendency of the foreign investor in Israel to see his entry into the economic arena as an act of grace, almost as a donation to the cause, rather than as a hard-headed act of business.

It is important that people abroad invest in Israel; but seriously, as they would in their own country. Cabinet Ministers here are friendly and they are Zionists, yet they will not — they cannot — run the absentee owner's business for him, however they welcome his initiative.

The IC has learnt this lesson. More important, it has demonstrated that it is possible to keep a business on a tight leash in this country as elsewhere, and to get a decent return out of it, as elsewhere. The management crisis described in the report, shocking and unpredictable as it was, has brought wisdom into the company's deliberations in good time.

There is every reason to hope that the IC's progress in the future will serve as a guide to other potential participants — in Israel's coming phase of renewed economic growth, which is now imminent.

The importance of Bonds

WHAT MORE can be said in praise of the world-wide Jewish organization engaged, for 28 years now, in the sale of State of Israel Bonds, that has not been said before? What more applause can be offered the dedicated volunteers who make the wheels of the Bonds Organization turn, that has not already been offered?

And yet, a few words are in order, by way of welcoming the Bond Conference which opened in Haifa yesterday, and is due to wind up in Jerusalem next Tuesday.

The participating business and community leaders from the U.S. and Canada will, of course, have occasion to acquaint themselves with Israel's current economic problems and development needs. That is the purpose of the conference. They will no doubt carry the message back to their fellow Jews across the North American continent. Last year their efforts netted cash Bonds sales in the amount of \$311.4m.; this year, hopefully, this near-record will be topped.

Leaders of the Israel Bonds, who give so munificently of their time and money to the cause, are, however, entitled to ask whether we in Israel have used our own bootstraps diligently enough to pull ourselves up. The answer, obviously, is no, we have not. Facing mountainous challenges, as we do, we must try harder.

But by the same token so should our brethren in the Diaspora. Their present share in the budget of Israel's survival, invaluable as it already is, is by no means excessive. With the expected decrease in official U.S. aid, their contribution, of which the Bonds are a prime example, will only grow in importance. It may indeed be the major means of counteracting the impact of massive Arab oil funds.

By their tangible proof of trust over the years Diaspora Jews have nourished the roots of our own confidence. No greater compliment can be suggested, nor a greater burden of responsibility implied.

ISRAEL PRESS

Syria's moves in Lebanon

DAVAR (Hastadrut), recalls that Israel had hinted it would not oppose the entry of a small Syrian force into Nabatiyeh and says that in this regard, the Syrians have not yet crossed the "red line." The paper asserts that Israel would not be able to acquiesce to any further advance by the Syrians. "In order to impose order in Nabatiyeh and to establish control over the terrorist bases in the neighbourhood, there is no need for a larger force than the one dispatched by the Syrians. Reinforcement of this force or its arming with heavy equipment would necessarily be interpreted as a move of military significance towards Israel — the same applying to a further advance of the Syrian force."

HA'ARETZ (Independent) is convinced that the Syrians have decided to test Israel's reaction to a move they had so far refrained from making: a further military penetration in Lebanon and drawing close to the Israeli border. The Syrians, having established control over the ma-

for centre in Lebanon and having imposed their will on both the terrorist organizations and the Lebanese Government, had no need to occupy Nabatiyeh, although it is admittedly north of the Litani, considered by many as Israel's "red line" in southern Lebanon, the paper says. The Israeli Government, the paper concludes, will have to decide what course to follow in the light of the change that has occurred at Nabatiyeh. "Even though this town is located, as noted, north of the 'red line', there must be no disregarding the Syrian move, if we wish to avoid further surprises south of the Litani as well."

HA'ARETZ (National Religious), asking — in its second editorial — what else the Syrians have to do in order to convince Israel's security factors that the "red line" has in fact been violated, takes the government to task for "contending itself with 'reviews' while facts are being established on the ground."

STAGNATION, together with an inflation constantly on the verge of running away, is entering upon its fourth year.

This state of our affairs will continue for at least another two years, even if the present or another government would tomorrow decide upon a fundamental change in policy. Economic processes have a built-in inertia. Thus, inflation would continue because of pent-up pressures that have not yet made their impact, and investments, even if decided upon today, take time to materialize.

The budget just presented will, in one form or the other, remain the policy framework, and it will reinforce present tendencies — official declarations notwithstanding.

The most damaging aspect of existing policy, in the long run, is that it is one of zero growth. Sometimes inflation is the price to be paid for attaining structural change, such as re-directing production towards exports, rather than domestic consumption. The balance of payments crisis after the Yom Kippur war made devaluation, higher taxes and other measures, which in combination caused inflation, inevitable.

Yet in the longer run, we can have more exports and fewer imports, more production workers and fewer public servants, only if the economy grows. Existing structures are difficult to modify. It is much easier to channel future growth into desirable directions. In this respect, the existing policy is a failure, which if continued, may assume disastrous proportions.

The official spokesmen for this policy describe it as an almost unqualified success. They give credit to the measures they have taken for events which occurred autonomously. It may, therefore, be well to take a brief look backwards.

The economic slow-down is not entirely of the Government's making, nor is it only the result of what came after the Yom Kippur War. The slow-

Stagflation continued

Current economic policies need a complete revamping, and must be replaced by an 'audacious and imaginative approach, one geared to growth,' writes MEIR MERHAV.

down actually started in 1973, before the war.

It probably has its origins, like previous economic depressions, in the levelling off of immigration, which occurred between 1972 and 1973. In the past, whenever immigration levelled off or declined, a slow-down in economic activity followed. In the particular case of 1973, this was evidently reinforced by the economic consequences of the Yom Kippur War, including the impact of the oil price increases on the cost of our imports.

Furthermore, considering the kind of immigration we have had in recent years — almost entirely people who had a choice of going elsewhere or not coming at all — there was necessarily a feedback, a levelling off of immigration induced a slow-down in the economy, and that in turn reduced the stricture of the country for new olim.

Although the overwhelming restraints imposed by the Yom Kippur War obscure the picture, the underlying characteristics of our economic performance seem curiously similar to what we experienced in 1966-67. Now, as then — albeit with a vengeance, the preceding high level of economic activity caused a deterioration in the balance of payments. Imports soared, the domestic market absorbed products and resources which should have gone to exports, and catastrophe loomed.

As in 1966-67, the Government has

made a dubious virtue out of what is a questionable necessity — at least as far as 1976 and 1977 are concerned. The policy is one of what is euphemistically called "restraint." The main emphasis in the last three years has been on restraining consumption. The intent was to release products and resources for exports in order to improve our balance of payments.

WHAT IS the reasoning behind existing economic policy, how is it expected to work itself out and by what means has it attempted (and is still trying) to attain its objectives?

The basic reasoning runs more or less as follows: we must reduce our consumption for we do not have the foreign exchange needed to support it. Since most of "us" are wage and salary earners, the bulk of consumption depends, we are told, upon the level of wages. Therefore, if we want to reduce or freeze consumption, we must first and foremost freeze or reduce wages.

Now, since employees always — and, as it were, nervously — resist any reduction of their wages, we can achieve our objective only by eroding the real value of their incomes. So we devalue the currency, meaning that what we can buy with our income becomes less and less. Since our employees have shown in the past that they are rather clever, we do not devalue in the classical manner, in massive doses at infrequent intervals. We adopt a system of creeping devaluations, knowing that most people will not mount this harassment for the fall of a mere one or two per cent at a time in real wages. Until they begin to protest, we — the economy, the national good, the future of the country, the balance of payments — have gained.

What, however, happens to the self-employed and to profit takers who account for some 40 per cent of private consumption — to all the people who imported luxury cars, stereo and television sets and other good things when the rate of exchange was lower and when they now charge the new price and thus make a gain? What happens to those who do not yet pay higher wages, at least until the Cost of Living allowance has to be paid, but who already have jacked up their prices?

Well, the theory accounts for that quite simply. Since the famous majority, the wage-earners, will have less real purchasing power, because prices have gone up while wages have meanwhile lagged behind, there will be less demand. With less demand, producers and sellers will compete and reduce their prices or sell less. Thus, they too will bear their share of the national sacrifice. The trouble is that it does not quite work that way. Not in an economy where most production, sales, commerce and banking is highly monopolistic and thus small groups of rivals exist in a given market. As a rule there will be a tacit conspiracy to raise prices. And losses will be recouped by the easy access which producers of all groups have to subsidized official credit, nowadays the main source of profit in the country, and by various subsidies firmly anchored in the budget.

Official policy does not, in effect, touch capital at all. On the contrary, it outdoes itself to subsidize it, to the extent that a significant proportion of exports may really be little more than re-export of the machine we imported in the first place, with little, none, or even a negative value added by our own production. Why is this so?

Because our producers value their capital goods at the price which they actually pay for them in Israeli pounds. Now they get investment grants and development loans which are unlikely. Given the generous subsidies which they get on current exports it is worth their while to export the services of machines which depreciate in their pound value, and make a handsome profit which is then being scrupulously maintained by continued mini-devaluations.

The upshot is that the Germans and others buy from us products made by equipment which we originally bought from them but which they themselves could not afford, for they do not subsidize capital. We — that is to say, our producers — can afford it because they do not pay for the capital they get. Credit being unlimited they get, as Professor Backhaus has put it, a cow and repay a chicken.

Through our investment, credit and currency policy we often end up by subsidizing the foreign buyer of our products. We create the illusion that we increase exports. In reality we merely borrow against the future. We shall have to renew the machines we use up by exporting them on the instalment plan, but the means for renewing them will not have been created. Although we may have short-run balance of payments successes, we may end up with a long-run loss, which no one has measured.

THE TRUTH of the matter is that stagnation is no cure at all. We have,

in the last three years, forgone an output of a conservative IL500, at 1976 prices. That is an output which we could have produced with little additional real cost to the economy — for we have unused capacity. What have we gained?

We did, last year, improve our balance of payments by \$80m. Of that, only some \$30m. can be attributed to our own economic policy. The rest was either a postponement of defence imports or fortuitous changes which were not of our making. That improvement, although respectable enough in itself, could have been obtained, at least last year, without castrating the economy.

What we need is a substantial change in the relative price of exports and imports, through a massive devaluation, accompanied by a thorough reform of our customs duties and other indirect taxes. We still have a thousand and one different effective exchange rates. This is one factor which artificially inflates the size of the budget. We must stop or slow down the creeping devaluations which only make people hedge against them and thereby nullify most of their effects in advance.

What we need is not a freezing of wages, nor even a complete freeze of domestic consumption. People will just not produce more, nor will they move to other and different jobs unless they gain something in the

process. Growth cannot be obtained without cost.

What we need, in short, is no policy derived from the cautious attitude typical of a chartered accountant. We need an audacious and imaginative approach, one geared to growth. An approach that will regard capital, however illicitly accumulated, as sacrosanct, but expose it to the same, if not more, taxation as the earnings derived from the daily effort of the workman.

We need an approach that will be afraid to spend — however it our foreign payments position — an amount of \$200m. to induce an amount of IL500 of growth. We need an approach which is not ashamed to state frankly that growth may mean more domestic consumption. People will not work for nothing. People will not work more for nothing. As long as we can devote more to exports than to domestic consumption we shall have achieved our goal without trying to prove Diogenes, that one doesn't need a cup to drink from. We need a complete re-thinking of economic policy and of the reflecting it. Not even our expenditures should be taken across the board, for on many such doubts the infallibility of generals, let alone of our politicians who determine the political perimeters of our defence requirements.

We must re-consider our policies which have led to budgetary transfer payments in proportions. We must re-examine operations of the Government capital market, which have led to a situation in which the main source of profit is access to unlimited loans. It is absurd to ask for a different budget if the basic policies remain the same. What is needed is a fundamentally different economic and social policy.

Meir Merhav is Economic Editor of The Jerusalem Post.

READERS' LETTERS

INJUSTICE ON THE AIR

To the Editor of The Jerusalem Post
Sir, — There is a certain amount of unfairness towards the small parties. The big parties like the Alignment and Likud who already have proven themselves (not to the good I'm afraid) are allotted a big sum of money from the taxpayers' pocket, of course, to repeat what they said four years ago when they were elected (or failed to be). The new parties like the Democratic Movement of Professor Yadin and Shalom, who are entirely dependent upon the goodwill and money of their supporters, find themselves facing lack of cooperation from the media as far as explaining themselves to

the public is concerned; some minutes are allotted to each and, in addition, parties represent in the Knesset get a full quarter hour.

What chance do the small parties have of explaining the basic ability when they face 15 min. brain-washing by "comp people," well trained to appeal masses with phrases full of promises, but devoid of meaning. The press has the duty to do this injustice and lack of democracy and apply some pressure in the circles to see that it is corrected.

Petah Tikva
MIRA EGO

TV COMMERCIALS

To the Editor of The Jerusalem Post
Sir, — In his comprehensive article, "Thumbs down on ads for TV" (January 12), Philip Gilon does not consider one aspect of the problem which is of paramount interest for democracy like Israel which, industrially speaking, is still in a state of development.

The cost of effective TV publicity is so substantial that only a few large concerns dispose of the means to include TV in their advertising budget. Notwithstanding the competitive quality of their products, smaller firms or newly-established ones lack the means to finance TV ads.

It is, therefore, advisable to pre-

vent the use of TV advertising long as the Government protects small enterprises at their infancy and avoid the creation of monopolies in the country.

This aspect of the problem reminds me of the Minister Commerce's decision 15 years ago to reward "millionaire" exports with a handsome bonus from the Treasury and the presentation of a certificate in my opinion, it would be inadvisable in a pioneering country, where modest firms which export limited quantities, but have potential to increase their exports considerably.

MAURICE J. GEL

Haifa.

RELIGIOUS DISCRIMINATION

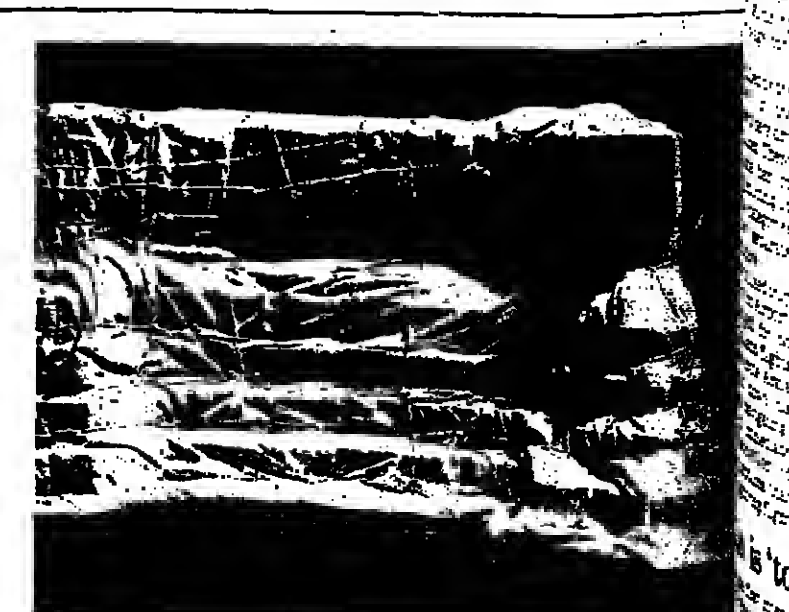
To the Editor of The Jerusalem Post
Sir, — I would like to draw your attention to yet another case of religious discrimination here in Israel.

We are a group of families who desire to form a branch of the Conservative Movement in Kiryat Arba. Our repeated requests for a place where we might worship and study have been denied on the grounds that we already have "enough synagogues in Kiryat Arba." Four presently exist to service the needs of the Ashkenazi, Sephardic, Yeminite and Moroccan congregations. It appears that in fact there is room in Kiryat Arba for any congregation as long as it is Orthodox.

In his latest refusal, government-appointed chairman of Regional Council (w/ Orthodox) writes, and I quote, establishment of a Conservative synagogue contradicts the spirit of Judaism. "It may be more correct to state that to deny Jews freedom of worship is more contradictory to the spirit of Judaism."

We hope with this letter to express the sympathies of the Israeli in general and the interested authorities responsible for the matter.

BYTAN BEN-IT
Chairman of the Conservative Community in Kiryat Arba.



Model of Little Bay in wraps...

... Christo gives Meir Ronnen an exclusive interview about it and other gargantuan projects.

Black money: Baruch Nadel investigates how it started and how it grew to dominate the country's economy.

Arab propaganda in the United States: Wolf Blitzer reports from Washington.

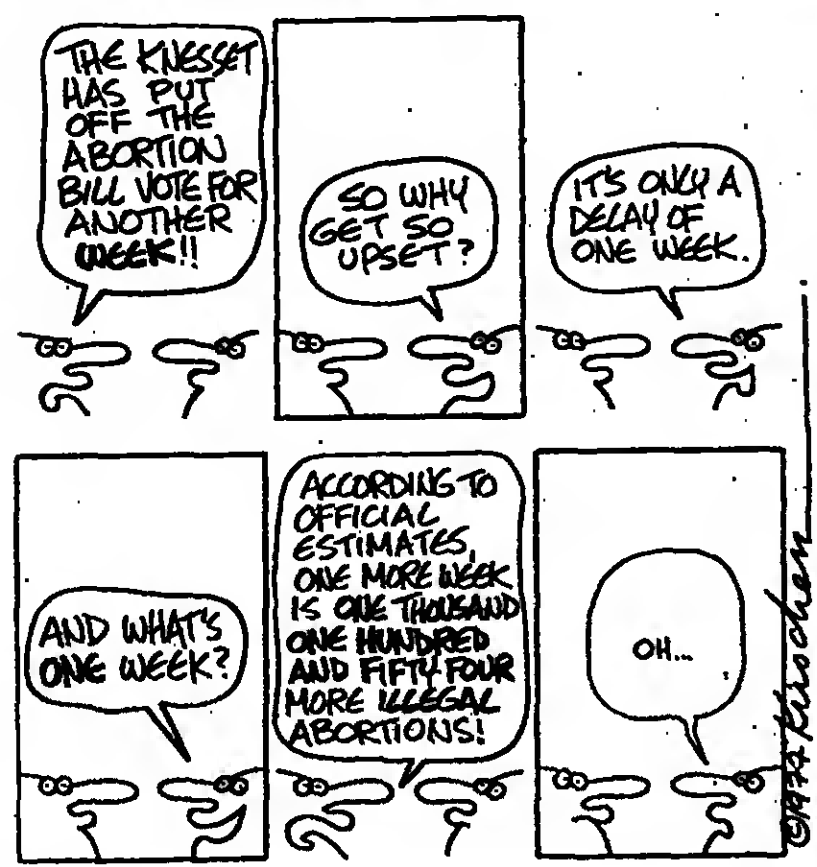
Nahum Goldmann talks about his life and beliefs to The Gilon.

A Citizen's Diary: a new column by Aharon Megged, popular Hebrew writer.

This and more in tomorrow's

THE JERUSALEM POST MAGAZINE

Dry Bones



POSTSCRIPTS

TRUE-BLUE Women's Libbers should be cheered by a recent ruling that the Yom Kippur State law prohibiting men from receiving alimony is unconstitutional and has "no rationality" in the framework of "the current status of women and perceptions of equality."

Israeli members of the elderhood will doubtless at the same time be interested to learn from the UPI report that the man who precipitated the ruling is an Israeli.

Haifa insurance adjuster, Mark Thaler, married his American wife in Israel last February. On March 13, the couple went on their honeymoon to the United States but separated on April 23. Mrs. Thaler filed suit for annulment on the grounds that her husband refused to have children. As he could not effectively contest the annulment he returned to Israel, her husband has to remain in America.

Thaler sued his wife for support since, as a non-immigrant alien, he is not allowed to work in the States and has been living on the charity of friends in Manhattan.

In a 13-page decision, Justice Bartram Barnett commented that "it no doubt offends the personal view of some that a man should collect support from a woman... If one is impotent or disabled, the court can take that into account and do for a man what it can do for a woman. It should depend in each case on the particular family facts and not the gender of the spouse seeking suitable support."

Justice Barnett ordered Mrs. Thaler to pay her husband temporary alimony of \$800 monthly and an interim lawyer's fee of \$350 while he contemplates his exit for annulment.

THE ANTI-SEMITIC feelings for which Henry Ford I was known in the Jewish community do not seem to have been passed on by heredity to his grandson.

According to a recent newsletter from the United Jewish Appeal, "Henry Ford II has continued his

close relationship with Israel and the UJA, which began at the time of the Six Day War in 1967, with his tenth consecutive major contribution."

"The newsletter also notes that Frank Sinatra has offered his Palm Springs home for a UJA women's luncheon in which every guest contributes \$5,000 and over."

Following last year's successful 3,000-member national conference in Jerusalem, the UJA has adopted a new slogan: "This Year in Jerusalem." Every Year in Jerusalem. "When will the slogan be 'All the Year in Jerusalem'?" J.S.

HAIR, writes Charlie Foley of the London "Observer," has acquired an almost religious significance nowadays. It has become a symbol of youth, rebellion, virility. It has lent its name to the most celebrated musical of the decade and Americans who have lost it are prepared to pay thousands of dollars to get it back.

But all is not well with the hair restoration industry, with its offerings of transplants, implants, hair-weaving and molecular bonding for the balding. One American businessman is suing a firm which sold him an implant for \$1,400 and promised him that he would be able to carry on a normally active life with his borrowed hair. All he got for his money was confinement to the small print of the firm's contract.

The average candidate for a hair job is a man of middle-age, recently divorced or left a widower, or about to move to a new job in a new city. But one transplant expert says he has worked with all ages, from teenagers to grandfathers of 70 or more. Hope, Foley comments, seems to spring eternal in the human scalp.

TIME

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